employment rose 4.1 percent compared to a 5.1 percent gain in the same period last year. Thus job growth has slipped by one percentage point; and we predict it will decelerate by one more point, to about 3.0 percent, for the year. Taxable sales reports show a January- February increase of 14.7 percent versus 11.5 percent last year, the only indicator for which the early 1987 growth rate exceeds the early 1986 one. The snow-related delays in reporting by many businesses however caused some 1986 sales to be counted in 1987, overstating the 1987 sales. Therefore the reported growth in taxable sales this year is partly an illusion, not representing actual 1987 sales.

The Virginia economy remains strong, much stronger than in most other states. But our growth is continuing to slow as the expansion here matures. RLP

Virginia – Up Where You Belong

A surge in growth in the 1980s has propelled the Virginia economy into the upper ranks among states.

The recent rise in Virginia's fortunes is not luck. It is the culmination of years of steady, superior growth as Virginia's people and a responsive government forged a highly diversified industrial base with the skills and flexibility to meet today's economic challenges.

Look back for a moment to 1960. At that time, Virginia's personal income per person was only 85 percent of the national average, barely bringing it within the upper two-thirds among states. Our superior growth began in the sixties, but we had a long way to go. By 1970, Virginia's income per person stood at 94 percent of the national average. We had passed seven other states, but still had not penetrated the top one-half. We still were second-tier, in most non-Virginian's eyes.

Steady growth served the state well during the turbulent 1970s. In 1974, Virginia's per capita income passed that of Florida, moving us into first place among the twelve southeastern states. We have held that position ever since. By 1980, Virginia had outdistanced eight more states; but its per capita income remained only 99 percent of the national average, leaving it outside of a top one-third ranking.

Then Virginia's takeoff began. Between 1980 and 1985, Virginia personal income per capita rose 48 percent, compared to only 40 percent nationwide. That surge pushed Virginia's income per person to 105 percent of the national average. Virginia income per capita of $14,542 in 1985 ranked us in eleventh place among the fifty states.

We have come a long way. In 1960 we were poor, with average income 15 percent below the national level. In 1985 our average income was 5 percent above the average. That has changed how we live and what we buy. It also has created bountiful business opportunities to meet Virginians' new demands.

What has been happening in the 80's? In the recession year of 1982, the nation's real output *fell* 2.5 percent. Virginia's real output *rose* 1.5 percent, with particularly large gains in finance, insurance, real estate, and services, plus increases in retail trade.

In 1983, all sectors of Virginia's economy pushed ahead except farming, mining, and state and local government.

Then came 1984, when the nation's real output jumped by 6.5 percent, the largest increase since 1951. Did Virginia get left behind? No! Virginia responded with an 8 percent rise in real output, again leaving the nation at large behind.

Farming and mining grew strongly in Virginia that year, and local governments increased their services. Construction continued the boom begun in 1983, with a 14 percent gain (adjusted for inflation) in 1984. All private business sectors achieved good growth. The only no-growth segment of Virginia's economy in 1984 was state government. The strong overall rise in state output produced a 5.7 percent increase in nonagricultural employment, marking 1984 as the year of job growth in Virginia. That 5.7 percent increase meant we added 126,000 more payroll employees that year alone.

In 1985 Virginia's growth slowed, but only modestly. The State's gross output, in real terms, rose 5.2 percent. Nonagricultural payroll employment also increased by 5.2 percent, adding another 120,000 new payroll jobs. The real output growth included a strong 24 percent gain in farm output; another strong year in construction, up 11 percent; and real growth of six percent in trade, services, and the finance-insurance-real estate sector. For comparison, nationally real output rose by only 2.7 percent, while payroll jobs grew by 3.3 percent.

The cumulative 1980-1985 result was an increase of 298,000 jobs in the Commonwealth, a 14 percent increase, more new jobs than existed in 1980 in the entire Norfolk-Virginia Beach-Portsmouth metropolitan area. That helps to explain the Commonwealth's construction boom – we literally have been building new cities, to provide the needed workplaces as well as homes for these new employees.

Last month we reported the revised 1986 nonagricultural employment data for Virginia. The average number of payroll jobs in 1986 was 2,557,100, an increase of 4.2 percent from 1985. That represents a net addition of 102,000 nonagricultural jobs.

The Federal government released preliminary estimates for 1986 income by states on April 16. The estimated 1986 personal income of Virginia residents was $88,970 million, up 7.2 percent over 1985. That brought Virginia's income per capita to $15,374, an increase of 5.4 percent from 1985. Nationwide, per capita income rose by only 4.3 percent, to $14,461. Therefore we picked up another point relative to the nation – our income per person now is 106 percent of the national average. We also moved up relative to other states. Our income per capita now is the tenth highest among the fifty states. That 'top ten' ranking puts Virginia up where we belong.

Virginia's superior perfomance is not over. Our growth is decelerating gradually but remains better than the nation's. We have revised our 1987 forecasts

for Virginia, marginally increasing the projected income and employment growth rates from those given in the November 1986 issue. Our current prediction is Virginia's total income will grow by 6.5 percent in 1987 and payroll employment will rise by 3.0 percent, a net gain of 77,000 jobs. For comparison, personal income nationally is expected to increase only 4.5 percent; and nonagricultural employment, only 2.5 percent. Virginia's continued above-average growth in 1987 will confirm and strengthen our top ten ranking among states. RLP

TABLE IV

VIRGINIA ECONOMY UPDATE
ACTUAL VALUES FOR 1986 AND
REVISED FORECASTS FOR 1987

	1986		1987	
	Level	Percent Change	Level	Percent Change
Resident Personal Income ($mills.)	$88,970	7.2%	$94,750	6.5%
Nonagricultural Employment (thous.)	2,557.1	4.2%	2,634	3.0%
Manufacturing	424.2	0.2	435	2.5
Mining	16.4	-5.2	16	-2.5
Construction	168.1	10.6	161	-4.2
Private Trade and Services	1,427.3	6.0	1,492	4.5
Government	521.0	1.0	530	1.7

The Virginia Business Report is published monthly except in December by the Bureau of Business Research. The publication is provided free of charge as a public service. For information call the Bureau at (804) 253-4493.

Roy L. Pearson Director, Bureau of Business Research
John C. Jamison, Dean, School of Business Administration

COLLEGE OF WILLIAM AND MARY
BUREAU OF BUSINESS RESEARCH
SCHOOL OF BUSINESS ADMINISTRATION
WILLIAMSBURG, VIRGINIA 23185

Non-Profit
Organization
U.S. Postage
PAID
Williamsburg
Virginia
Permit No. 26